

TGANC 36th Annual Meeting



Advocating Value

February 3, 2017

10:00 A.M.

Holshouser Building

NC State Fairgrounds

Agenda - 2017 Annual Report

Call to Order

President Clay Strickland

Business Session



Adoption of Resolutions



Nomination of Directors



Recognize Retiring Directors



Budget Report



Special Presentations

Awards Presentations



Extension Service Award – Matthew Vann, NC State



TGANC Outstanding Director – Brent Leggett, Nash County
Randy Smith, Lenior County



Farm Family of the Year – Isley Family Farms, Rockingham County



Lifetime Century Member – Marion D. Hawkins, Jr., Gold Leaf Seed Co.



Presidents Award for Leadership – Len Wester



Distinguished Service Award – Zane Hedgecock, NCDA



Special Recognition – Graduates of the SUCCEED Leadership Programs

Keynote Topics and Speakers:



Changes to the Tobacco Economy: Dr. Blake Brown, Economist, NC State University



Keynote Address: The Honorable Roy Cooper, Governor of North Carolina



NC Agricultural Update: The Honorable Steve Troxler, Commissioner of Agriculture



An Industry Perspective: Jon Huenemann, VP U.S. and International Affairs, PMI



Announcements and Prize Drawings



Adjourn for Lunch

GAP Training to Follow Lunch in same location

Thank You Annual Meeting and Supporting Member Sponsors 2016-17

For your support of this event and other activities of the organization throughout the year.



President's Message - Advocating Value



Clay Strickland - TGANC President

Every year we devote a great deal of thought about a theme to the annual meeting that best captures the present tone of the industry. For 2017 as in recent years, it has been challenging given the instability and related concerns that seem prevalent in the business. But as a farmer it is incumbent on me to search for an optimistic outlook and so the term we selected this year is “Value”. It’s a theme that captures a lot of meaning as well as multiple purposes.

As this report goes to print in late January, we are learning that some growers are experiencing serious reductions in contract renewals. To be fair, we are also hearing from a small segment of the membership that has experienced a slight increase in aggregate contract volume. Simply put, a farm’s potential net contract outcome depends on which companies, as well as how many companies that farm holds agreements with. Regardless of whether your farm realized an increase or decrease, what we can say with certainty is that total demand appears lower again for 2017.

A farmer places great value on having marketing contracts. The contract is an accurate predictor for production and associates a price or value for the pounds sold. A contract demonstrates stability to financial groups willing to make operating loans. The contract also establishes a sound business relationship between the buyer and seller.

Since the advent of the quota buyout in October of 2004 we have been talking about “stability of supply”. It is as real and acute on the farm in 2017 as any time in our tobacco farming history. There has been a real trend of diminishing numbers of tobacco farms. The attrition rate among NC farms is concerning to TGANC. Again in 2017 we know about farmers who have made a business decision to forego growing tobacco. These people aren’t retiring from farming, but have opted to exit tobacco as a part of their operation.

Smaller contract agreements translate into less opportunity for farmers. What is critical to understand by those who grow the world’s finest leaf is “value”. We must be mindful that margin is the critical component to success. None of us needs to grow more tobacco for less revenue. And absolutely we must guard against growing fewer acres for even less money. So much attention can be consumed during the winter months talking about contract volumes and acres that we lose sight of pricing.

We understand that the U.S is a niche producer. Economists report that we account for about 5% of the world’s total production. China remains the largest producer and also the largest consumer of tobacco. The Chinese have become an important and valued export customer for our leaf in recent years. They, along with so many more export countries represent any potential increase in market volumes. The global marketplace is better connected today than at any other time in history. As we compete in that environment it is imperative that we stand strong to advocate for prices that reflect our value as a whole. Price alone should not be the prevailing factor in purchasing leaf. Value should be the key determination. And value should be defined by the high standards, and compliance guarantees that is U.S. leaf.

As we advocate value what definitions can the industry agree on? When the weather cooperates, North Carolina farmers can CONSISTENTLY produce leaf with the highest premium characteristics of smoke-ability. This has been proven for more than 150 years. It is in large measure due to the expertise of our grower base, the soil they plant the crop in, the technology they employ and precise location on the planet relative to natural factors such as altitude, humidity, daylight, and temperature during a normal growing season.

The new trend seems to be encouraging “value” of tobacco based on a criterion that doesn’t have anything to do with leaf characteristics that describe its utility function as the key ingredient in a cigarette. Increasingly, there is less discussion about agronomy and topics like ripeness, color, oil and body in a bale as we expend time and energy focused on agendas of “special interests”.

A great deal of attention and effort these days is given to social responsibility issues. Concerns over labor are in the forefront. As an association, we are consistently engaged on this debate with the media, labor advocates and industry persons. We have verified time and again that the overwhelming majority of NC farmers do not have a problem with child labor in our fields. Nor do we have an epidemic of undocumented workers who are being intentionally or maliciously abused by farmers.

Every farmer is expected to participate in GAP training and a high percentage of them will be subjected to random generated audits on an ongoing basis. In general this exercise simply validates the practices a farmer should already be doing. Farmers understand this and most of them find they are performing at or above the GAP standards.



Clay Strickland speaking to international guests at Tobacco Associates Grading program.

President's Message - Advocating Value

The concerns about GAP tie back to “value”. We have participated in GAP compliance protocols including three years of consecutive audits to satisfy customers. Every year since GAP began we find ourselves with a shrinking production base relative to reduced contracting volumes. Let me be clear, I'm not suggesting that GAP has caused an erosion of opportunity or is the reason we are experiencing lower contract volumes. What is troubling, is while we endure the time and expense to prove integrity in our product, farmers who are not held to the exact same GAP standards in other global locations are enjoying increases in acres and leaf demand.

Brazil is one example that has increased its crop size in 2017 by approximately 500 million pounds more than it marketed in 2016. That increment of increase is larger than the total U.S. crop grown last year. In Africa we are told that Zimbabwe is approaching 300 million for flue-cured and just a short time ago they were virtually zero.

While we have not attended one of their farmer GAP meetings, we feel safe making the statement it can't possibly compare to the training done here in the U.S. Our training is organized and conducted by the university cooperative extension system, which doesn't exist outside the U.S. These PhD professionals educate our farmers about the latest science and test data for crop improvements. In our GAP training the continuing education segment related to labor is presented by staff from the USDOL. Again, we aren't sure that element even exists in countries such as Africa.

In a recent conversation with representatives from FLOC (Farm Labor Organizing Committee) we listened as they described first hand the conditions they witnessed while visiting African farms in November 2016. They described difficult work and living conditions. Wages at 70 cents per day. A long line of applicants for work. No apparent safety training. No union or freedom of association. No technology or advanced methods to provide workers with efficiency or convenience. No H2A housing. No vehicles furnished by the farmer. Following the conclusion of the conversation our response was... and we have a labor problem in the U.S.?

Why does this example matter? It matters because price can't be the leading criteria used for contracting and purchasing tobacco. If it is, our farmers can't survive long term. It is impossible for our growers to compete with a farmer in region of the world that plants his crop by hand with a peg and plows it with an ox and pays his employees less than a \$1 per day wages. In 2017 the Adverse Effect Wage Rate (AEWR) for H2A workers, which is determined by USDOL using a government agency formula, will increase by 50 cents per hour to \$11.22/hour. No farmer is suggesting that the hard working employees at his operation aren't deserving of higher wages, but that we can only afford what the market will support.

Across the state, farmers and suppliers are concerned about longevity in this business. They worry about their livelihood but even more about that of their children. We often say that it isn't adverse weather that will but you out of business. It's more likely the disruption in markets brought on by over regulation and burdensome costs and anti tobacco policies that will dilute our tobacco commerce in the modern era.

Consider the following two topics that are very closely tied. First, the strength of the US dollar today compared to foreign currency. Understanding the implications really has little to do with how we plant, manage, grow and harvest the crop. But it potentially has a huge impact on the demand for our leaf and if we are successful in realizing a profit. The pressure it places on exports must be mitigated by the relief it can afford on domestic aspects of our business.



Farmers discuss agronomic tests at Oxford Research Farm. Not other country has this resource.

Our ability to be successful will depend largely on the degree to which we educate ourselves about our challenges, determine strategies and formulas to best manage outcomes and how smart we work for solutions.

I want to express my appreciation for the confidence and encouragement extended to me by so many of you during the past year that I have served as president. It has been an honor and privilege to serve. Together we have tackled many great challenges and recorded much success. The future will no doubt hold more of the same. As a tried and tested organization I have every belief and expectation that the Tobacco Growers Association and its members will not cease in advocating our value.

2016: The Year in Review – 2017: The Year Ahead



The following is a summary of the topics and agenda items TGANC worked on in 2016 and will continue leadership towards in 2017.

The Crop:

April and May:

All accounts from growers across the state indicated a better than average germination and plant stand in the greenhouse. More favorable weather conditions, such as fewer cloudy days in the February and March made for a better plant stand this year and have generated positive expectations as planting time approaches. Growers seemed in agreement that the greenhouse plants appeared 7-10 days ahead of schedule based on their size.

The more typical spring conditions also supported timely field preparation work as well. As April arrived most growers reported adequate ground moisture for getting the crop to the field. Compare that to Spring a year ago when many farmers could barely enter the field due to wet conditions. Stan Woolard, a Beaufort County grower described 2015 as “plowing in a bowl of pudding”. As he put it, “you would be trying to ridge the rows and look behind you and the land was just flowing back down”.

Clay Strickland, TGANC president from Sampson County remarked, “we are due a better than average growing season”. And at least a good start helps to restore optimism for the many months ahead until the final results are known.

Tim Yarbrough, a grower in Caswell County reported very wet plant conditions in his part of the state. He said it took 30 days to find enough useable days to get the crop set. Persistent rains also presented challenges with cultivating the crop. Another concern is a shallow root system to carry the crop all the way to October.



Farmers looking over their over saturated crops.

June and July:

From a visual account the crop really transformed itself once it began to flower. June brought with it too much rain and the crop simply grew too fast. Warmer temperatures and especially warm nights helped with the physical development characteristics. We did observe a greater presence of target spot on lower stalk leaves than is desirable. Harvest began in many areas by the first of July which helped increase airflow to the plant and mitigate the foliar concerns.

Many growers reported a thin first pulling which was to be expected given how rapidly the plants had grown. The attention to quality caused many growers to either de-lug the bottom or at least allow the bottom 4-5 leaves burn off in the field. Picking through inferior tobacco is timely, costly and reduces yield volumes. However if excessive waste is left in the bale it doesn't sale well at market. These considerations along with the market knowledge that demand for lugs is “soft” in certain venues were rationale for leaving the lugs.

What has become a factor in the month of June and July is the oppressive heat and very high humidity. Being a tropical – sub tropical plant, tobacco enjoys warm humid conditions. However its physical characteristics can't sustain prolonged periods of scorching sunlight.

As a result this crop began posturing itself to come off the stalk quickly. The quality is still very good but it can't sustain itself long term given the early factors of rapid growth and shallow roots. By first of August some growers had already begun to strip the final harvest.

August and September:

It's dangerous to speculate the home stretch of the crop because of so many unknown variables. By this time of the season we always worry - Will there be a major hurricane? Will we return to normal or cooler than normal temperatures? Will we enter a drought going into fall? Regardless, weather is the consuming factor as we begin the final stages of harvest for the most valuable leaf on the stalk.

As we know there were two named hurricanes making landfall in NC in 2016. Hermine really worked on the crop at mid harvest bringing too much rain. Hurricane Matthew arrived when much of the harvest was complete but nonetheless dealt an impact on storage bales that were flooded and curing barns that lost power.

As the crop came to completion here were key factors that caused us to miss our best potential.

- 1) The crop came off the stalk quickly.
- 2) Crop ended up light in tonnage.
- 3) The leaf quality desired was challenging in the curing process.
- 4) Many encountered a barn space issue to save this crop.



Tornado damage at Crews Bros Family Farm in Oxford last Spring is a reminder of how the weather is unpredictable, from beginning to end for the crop.

How big might the 2016 Crop Be?

Two things that TGANC is reluctant to publish every year, but we are constantly asked to estimate is the amount of contract pounds and the average price for the crop. Understandably the price topic can create controversy because there are always winners and losers in the comparative equation. That may hold true for both the buyer as well as the seller.

Every winter there is a lot of debate and speculation about the size of the crop. The conversations center on two measurements. First there is the estimate of the amount of pounds contracted. Second, there is the estimate of acres planted based on the infrastructure calculations. While the two numbers may yield a similar prediction, they are not completely dependent on one another.

In the 12 years since the buyout passed, the industry remains void of any tangible barometer to accurately give exact crop reports. Several tools exist that help generate "best estimates". USDA publishes a crop report based on surveys. Of course acreage reports aren't submitted until end of June or early July depending on which county and the FSA latest crop planted reporting requirement. So that information is fluid and not all acres are necessarily reported. Historically the USDA estimate tends to be overstated. Other sources used to predict crop size is the unofficial messages of how a particular company may be trending relative to contract volume. TGANC has heard that for 2016 at least three major companies were trending downward while another major buyer was flat and yet one company had distributed contract increases to its grower base.

Finally there is the reality that a contract isn't required to plant the crop so the "wild card" is how much speculative tobacco is planted? Those acres count in the overall total. A lot of factors influence the speculative acres such as alternative crop choices relative to prices, land rotation, debt service and crop insurance. Tobacco remains a high value per acre crop and hence creates an appeal to speculate on production that is absent a guaranteed market. So how can the industry estimate these acres? One measurement is simply how much seed was sold earlier in the year. Another consideration is unofficial reports of how many vacant green houses farmers know about in their community. We can report that this number (vacant houses) seemed to be up for 2016 which suggested fewer plants. Ultimately, the amount of tobacco barns is perhaps the most limiting factor in determining the crop marketed as it relates to the pounds that compete at market. In the end, what will matter is the supply relative to the demand and how good is our quality. Which is to say, the volume delivered is ultimately more important than the amount planted.



In isolated regions last year the crop was pretty good but still short on targeted pounds per acre.

In 2015 NC marketed 378 million pounds of flue cured which was one of our larger crops in recent years. That was achieved in spite of the multiple impacts from adverse weather such as excessive rain and an early October frost. So the tobacco crop marketing's potentially may have pushed 400 million in NC that year if there had been

better than average weather. Considering all that weather for 2015 it is generally agreed that the crop averaged 2200 pounds per acre which factors to about 172,000 acres. For estimation purposes let's assume that the weather subtracted another 10,000 acres of crop potential and or yield. That would suggest we planted about 180,000 acres or that NC might could have yielded a 400 million pound crop in 2015.

Consulting with various analysts that work to compile the non-scientific data we previously mentioned, gives TGANC the estimate for North Carolina that our crop acres planted in 2016 likely ranged between 160,000 to 170,000 acres. Those acres at the same 2,200 estimated average yield would total between 352 to 374 million pounds flue-cured potential in NC this past season. If NC accounts for approximately 75-80% of the volume in the southeast then we maybe could expect a total crop planted at approximately 200,000 acres. We are hesitant to predict yields in other states but using the historical average of 2,400 pounds would add 96 million pounds to the NC estimate for a belt-wide crop total of 448 million.

So what was the final result? We can measure the North Carolina crop size after the fact by equating the amount collected through the various check off programs. We now know that NC marketed 298 million pounds. We also know that slightly more than 12 million pounds received a non descript grade at the TAGS service and was required to be destroyed.

If NC planted 160,000 acres then our 2016 crop yield average was 1,875 pounds.

The Reality of Supply and Demand:

It's among the first rules you learn in economics class. It is the essence of how and why commerce works in a free market. Supply and demand was one of the feature needs in advocating for a quota system buyout more than a decade ago.

As farmers, we are required to assess risks and develop strategies to minimize them. Tobacco is that unique commodity that isn't publically traded on an exchange market where dis-interested speculator's can skew values. It is also a commodity that has a very specific end use. Every NC tobacco farmer for example, likely also grows one or more of the major row crops such as corn, soybeans or small grain in the farm rotation. If so they most likely monitor those commodity markets on a daily or hourly basis in an attempt to maximize value. Those commodities are publically traded. They are also static raw materials. Which is to say corn is corn regardless where it is grown. It has a wide array of utility that includes everything from human food consumption to animal feed to ethanol for fuel. Soybeans have even greater utility and are traded on a global calendar as well, meaning somewhere on the globe everyday there is likely a combine harvesting soybeans.

Risks are another definition that distinguishes tobacco. There is much more that can go wrong in growing a crop of tobacco relative to other staple crops. Especially the vulnerability to wind which is a constant concern for the eastern regions of the U.S. every summer given its location to the ocean and the annual hurricane threats.

NC State agricultural economist Dr. Blake Brown has shared multiple reports at tobacco meetings the past several months explaining that our supply in 2015 seemed to exceed demand. That trend was positioned to continue in 2016 as well. There are multiple factors that influence this situation. The strong US dollar hurts our export trade competitiveness. A large crop in the countries in the southern hemisphere that grow acceptable substitutes to any portion of our crop that is below average in terms of quality. Continued smoking restrictions or other causes for declines in domestic consumption have impacted consumer usage and hurts our demand. Overproduction by US growers and the willingness to basically liquidate leaf tobacco at sub-par prices is another factor that skews the market.



To have long term stability for tobacco farming we must exercise several dedicated commitments. These commitments incidentally exist on both sides of the equation, for growers as well as buyers.

TGANC suggest the following “two-way street”:

First, we need to plant and deliver the volume of tobacco that is aligned with “real” contract opportunity. A large surplus of wildcat tobacco hurts our marketing values over the long term. As part of that statement, the industry needs to commit itself to only purchasing tobacco under a contract. Next, we need to always strive to deliver the best quality possible. This may include the farmer discarding or certainly separating quality using on-farm practices such as tumbler equipment, picking lines and other actions to distinguish quality. Companies should exercise the commitment to quality and be rewarding those farms who go the extra distance in terms of quality by demonstrating higher prices and contract stability.

Buyer’s desire stability of supply but in reality they control that fate by avoiding wide swings in contract volumes. It has an adverse impact on stability when good growers lose entire contracts following a single season.

GAP in 2016:



U.S. farmers grow the most compliant crop in the industry.

Good Agricultural Practices (GAP) has become one of the most frequent terms heard in our industry. Buying companies preach GAP now in every meeting and in literature sent to farmers. Growers call our TGANC offices or catch a board member in their community and pass along opinions and suggestions.

GAP was intended to be a measurement and validation of how well farmers are doing in their operations with both daily and long term criteria for producing the world’s premium leaf. For the most part that has proven successful.

Still there are some aspects to GAP that give farmers concerns. Especially regarding the inspection or as it is often reference the on farm GAP audit.

In 2015 for example, TGANC received reports and concerns from growers on topics such as photographs of sensitive data such as payroll and tax information. Other concerns like impeding work progress for extended periods of time and probing questions in areas that require training and expertise such as labor laws. TGANC passed along these concerns and believe that improvements were implemented.

In 2016 we re-emphasized these same points. TGANC has two members now serving on the GAP Connections board of directors who work diligently to convey the concerns and expectations of farmers during the policy development process.

Please understand there are 22 members on that board and only three are farmers (Two flue-cured and one burley). However, it is impactful to have those voices in the room or else some of the GAP inspections process could be very different that what is in place. The GAP training that occurs in the winter months is a successful forum to share pertinent information on topics like agronomy, policy and regulatory matters such as farm labor updates from DOL. Farmers have an opportunity to socialize among each other which is another important exchange of information.

The training notebooks and other literature serve as a sensible tool to help provide a general standard or template to capture farm performance and data as well as offer guidance to farmers. No one ever complains about having too much information as a resource.

However, the system of visiting farms to assess the grower’s progress remains a work in progress. From accounts of the on farm visits that have occurred in 2016, farmers report it has been a generally positive experience and improving from the year prior.

TGANC believes that it is critical that the farm visits be focused on helping farmers understand and achieve the compliance standards expected by the customers. GAP is designed to help growers improve and to confirm their success. It should not be a barometer used to put farmers out of business.

Also, how are we being assured that high GAP compliance results in increased markets or stronger process or better stability of demand? Many good growers have remarked that their operation was scored well during a GAP visit but they lost contract volumes while neighbors who perhaps were not GAP assessed didn’t lose contract opportunity for 2016.

Similar to this topic are a percent of growers who were GAP assessed in summer of 2015 and having to undergo it again this year while some growers haven't done it once yet.

Beyond 2016:

For GAP to build success and be reliable it is imperative that growers develop confidence in its purpose and its function.

- More should be done to streamline the process.
- Every evaluation should be conducted on equal standards.
- Every grower's should be GAP assessed or audited in a rotation before any grower is selected for a second visit.
- Farmers should own a copy of the GAP assessment summary.
- There should be less emphasis on labor and more on agronomy which is the critical component to the finished product.
- More should be done to assist growers in preparing for on farm GAP assessment visits. And also to remove any apprehension about the process. This could be included in the training in January.

Markets:

The 2016 marketing got underway in early August. Farmer accounts on market performance range from satisfied to very displeased and not much in between. We were hearing that a considerable volume presented for sale during the first 10 days of market was either rejected by the buyers or declined by the farmer.

Understanding that the first harvest for many folks had to endure difficult conditions in some locations might suggest that there is disagreement on grades. It also seems that demand for anything other than first quality lugs is very soft. There was a general description that some quantity was appearing too green and/or had too much dead in it, a symptom from high percentage of target spot in the crop.

Another unavoidable circumstance is the amount of lower stalk that was caught during harvest by thunderstorms that develop quickly and often this summer. The volume of tobacco now being cured in boxes makes this challenging when handling wet lower stalk leaves.

There is always reasonable expectation that the markets should improve as we progress up the stalk. Better quality was certainly being observed on the farms as it progressed through the season. Potential for less than anticipated supply should also influence demand considerations for best quality cutters, leaf and tips.

General Events:

Beyond the issues directly associated with the crop, TGANC was very active in 2016 on the policy impact items like child labor, FDA, TPP public relations to advocate for our farm families.



Dr. Bill Collins reviews FDA presentation.

FDA – The regulatory of FDA over tobacco products specifically excludes jurisdiction on the farms. In early 2016 FDA asked for the opportunity to make farm tours. While that may seem like an opportunity to educate FDA representatives the risk is having only a small group make tours on a specific date when variables such as stormy weather may impact the visit. So TGANC suggested we bring to FDA headquarters a comprehensive presentation to a large audience. In September Dr. Bill Collins made that presentation to several hundred FDA staff about the agronomy of farming tobacco.

Labor – We engaged with news stories such as the one by the Washington Post focused on labor issues. Three farms agree to host the media visits and conduct interviews. TGANC acknowledges the courage of Leggett Farms in Nash County, Tull Hill Farms in Lenoir County and Randy Smith Farms in Lenoir County for the hours they volunteered to participate in what ended up to be a rather accurate story that admitted not finding child labor or other abuses.



Tim Yarbrough films intro to farm safety video.

Farm Safety – TGANC was pleased to sponsor safety training videos for every farm and its employees. Past presidents Tim Yarbrough and Brent Leggett provide the opening preamble to the video in both English and Spanish. Leggett Farms was also the host location for the farm safety training workshop that more than 400 people participated in mid June.

TGANC 2017 Proposed Resolutions

Proposed for Approval at Annual Meeting, February 3, 2017

We believe tobacco production to be essential to the economy and well-being of the people of North Carolina. We further recognize that tobacco plays a vital role in the economy of the United States. In the interest of preserving that contribution, we offer the following resolutions:

By Category and new or modified are indicated by BOLD type.

Production and Marketing

- 1. We call upon the industry to treat every farmer with dignity and respect regardless of the size and scope of their operation or its geographical location.**
2. We call upon tobacco companies that contract with growers to continue to develop policies and practices that are fair and inclusive of all growers with regards to the economic welfare of tobacco producers as a whole.
3. We oppose multi-tier contract conditions and markets that do not publish a retail price for tobacco that reflects its market value.
4. We request that NCDA continue working to devise a method to forecast intended planting and actual planted acres of tobacco for each current crop year.
5. We support the Plant Industry Division of the North Carolina Department of Agriculture in maintaining its "Apparent Freedom" status of enforcing those regulations relative to requiring zero (0) tolerance of any pest on any agricultural, horticultural, floral, or nursery plants imported to North Carolina.
6. We support tobacco growers and purchasers to collectively develop strategies, systems, and procedures that will enhance the integrity and quality of flue-cured and burley tobacco and reduce the cost of marketing.
7. Observing the increasing markets for liquid nicotine we support having U.S. grown tobacco as the source for such materials.
8. Any transgenic tobacco for commercial production should not be planted in such a way that it creates a risk for cross-contamination with conventional.
9. We presently oppose the commercialization of tobacco cultivars for traditional uses whose genetic makeup has been modified with non-tobacco genes. We feel that such cultivars should be limited to controlled experimental situations and restricted from entering the commercial trade until such tobacco has been accepted in general commercial usage.

Labor and Workforce:

10. Recognizing that North Carolina is a "right-to-work" state, we oppose any regulations or sanctions that would cite labor union membership as a absolute requirement for any agricultural laborer, regardless of that workers citizenship status.
11. We understand and support workers rights and regard the employees of the family farm as critical to the operations success.
12. We implore all commodity groups and the tobacco leadership groups and governmental entities to come together with commitment and support to resolve the farm worker labor concerns that impact the livelihood of the farm families in North Carolina, including comprehensive immigration reform.
13. We encourage all farmers to understand and adhere to the requirements of the Fair Labor Standards Act in regards to lawful employment of any person working on a farm.
- 14. We remain opposed to the employment of persons (with exceptions for members of the farm family), under the age of 16 working in tobacco production in the United States and abroad. We further call upon the industry to hold the world markets to the same standards.**
- 15. We support and call upon the USDOL to review the protocols used to determine the Adverse Effect Wage Rate (AEWR) and the need for a wage formula correction more in line with prevailing wages.**

Trade and Export:

16. We oppose detrimental federal intervention, lawsuits and other unwarranted attacks on a legal industry. We recognize that tobacco is a legal commodity representing an extremely large amount of international trade; therefore we insist that all agencies and individuals representing the United States in any area of trade be allowed to promote the high quality, comparative value of U.S. tobacco, including fair treatment in all trade agreements.
- 17. We oppose any efforts to unfairly target, designated differently, or omit tobacco, a legal commodity from future trade agreement negotiations.**
18. We are categorically opposed to any trade agreement present in force or being considered in the future that does not include any and all legally grown U.S. agricultural commodities.
- 19. We support a full review of the Tariff Rate Quota (TRQ) formula and any implementation of corrective measures to make it effective with the global market and import/export trade circumstances that will benefit U.S farmers.**

Policy and Regulatory:

20. We request that the USDA-FSA and USDA-NRCS be more sensitive to the need for a more common sense approach to the enforcement of rules as stated in the Foods Securities Act of 1985, i.e. Sodbuster, Wetlands, and Conservation Compliance. We further request that said rules be interpreted uniformly on a county-by-county basis and that penalties be applied on each individual tract basis.
21. We request that the Environmental Protection Agency and the FDA refrain from acting in a discriminatory manner with respect to the approval for labeling of pesticides for use on tobacco.
- 22. We maintain that all lending practices of the Agricultural Credit Division of the Farm Service Agency be fair, equitable, and timely to all applicants.**
23. We support individual property rights for all agricultural enterprises, provided they meet all County, State, and Federal regulations.
24. We oppose any future increase in the state or federal excise tax on tobacco products.
25. We further recommend that our Association and other tobacco supportive organizations continue to publicize the economic benefits of tobacco to our nation's policy makers in terms of jobs and tax revenue.
26. We are opposed to additional legislation and regulation that would restrict when and where adults choose to smoke. We implore all tobacco interest and tobacco communities to come together with commitment and support to solve the issues and problems that threaten the economic contributions of tobacco to our state, our nation and our growers.
27. We are opposed to the use of any tax dollars being allocated to any agency whose agenda is aimed toward the detriment of the tobacco industry.
28. We strongly urge the NC Legislature to restore full funding to the Tobacco Trust Fund Commission for future years.

Policy and Regulatory:

- 29. We applaud and support the continued efforts of North Carolina State University, Extension Research Service for managing and directing an appropriate research program that enhances the profitability of growing and marketing tobacco.**

- 30. We support the completion and full funding of the W.K. Collins Agronomy Endowment to provide for at least two permanent tobacco specific positions at NC State University.**
31. We applaud the Tobacco Industry and related agribusiness for cooperating in the development of research programs and providing financial support for tobacco research.
32. We request that the North Carolina General Assembly provide the necessary funding support for the N.C. Department of Agriculture to serve the citizens of our state.
33. We request the North Carolina General Assembly recognize the economic value of budgeting research funds for tobacco and stipulate that funding provided for the Academic, Extension and Research Budgets of the College of Agriculture at NC State University be used for such designated purposes.
34. We are concerned that essentially no new funds are allocated by the Agricultural Research Service of USDA for tobacco research. We believe this is discriminatory to tobacco farmers and specifically request that additional funds be allocated for regional research on tobacco based upon the enormous tax contribution this industry makes to our governmental budgets. This is especially true as we continue to await FDA regulatory authority.
- 35. We applaud the GoldenLeaf Foundation for its generous support to guarantee the Plant Sciences Initiative (PSI) will advance to completion.**
- 36. We support the mission of the Land Grant University and call upon the administration at NC State University to conduct full review of admission policies that may place student applicants from farming and rural areas at a competitive disadvantage when pursuing degrees in agriculture and agribusiness.**

Economics and Finance:

37. TGANC recognizes the importance of sound and prudent credit policy. We encourage banks, agricultural credit associations and any other public, private and governmental entities that provide credit to farmers and agribusinesses to be cognizant of changes that occur within the agricultural community. We encourage such institutions to continue to find ways to provide both long and short-term credit.
38. We encourage the Golden Leaf Foundation, which was formed to distribute 50% of North Carolina's MSA proceeds to tobacco dependent Communities, to recognize that the most effective means of revitalizing these communities is to employ the infrastructure that already exists, and is based on a tobacco farming economy.
39. TGANC encourages USDA in their statistical surveys to release by December 1st of each year estimates to the public on tobacco acreage produced in each state for that year.
40. Recognizing the scope and importance of the state's # 1 industry - agriculture, and specifically farm land for agricultural production, we request all governmental regulatory agencies maintain an understanding and policy supporting the critical need and rights of water usage, particularly those sources traditionally used and developed for agricultural practices.
41. We support efforts to help create awareness about the consequences associated with loss of productive farmland. We applaud the NC Department of Agriculture and the NC General Assembly for its creation and funding of the Farm Land Preservation Trust in the mitigation of the disappearance of our farm land and natural resources.
42. TGANC continues to be concerned about the potential for sharp escalation in costs of production in growing tobacco and the importance of those entities that purchase leaf tobacco to understand such expenses.
43. Aging infrastructure is a major concern of all involved in tobacco production. TGANC requests that purchasers of tobacco be aware that multiyear contracts and pricing sufficient to ensure long term profitability are necessary to inspire enough confidence in the grower base to allow for modernizing tobacco specific investments

Good Agricultural Practices (GAP)

- 44. We oppose increasing compliance costs associated with GAP certification programs.**
- 45. We call on the industry to hold all growers around the world to the same GAP standards.**
46. Given the unnecessary costs of multiple barn testing requirements, TGANC advocates that a single, standardize barn test program continues.
47. Understanding that GAP training is beneficial to the industry and that all growers are now required to comply, we support a continued standardized GAP training program.
- 48. GAP assessment visits should be conducted in a more streamlined approach with better consistency. We further request that attention should be given towards more careful handling of certain sensitive data and information while conducting assessments.**
- 49. We call upon GAP Connections to provide a detailed outline of what farmers should expect in advance of an assessment visit/review.**
- 50. We call upon the industry to adopt a single and standard GAP on-farm assessment and avoid duplicate visits to the same locations during the same crop year.**
51. We encourage the industry to explore opportunities to achieve increased yields for conventional tobacco seed.
- 52. We call upon the tobacco industry to maintain awareness of the importance of social responsibility.**
53. While US tobacco producers pride themselves on the integrity of what is known to be the most carefully produced, high quality tobacco in the world, we acknowledge that possible findings of any noxious materials from naturally occurring plants also present in the fields should be thoroughly investigated and require a cooperative effort to find solutions that resolves such concerns to the satisfaction of our customers.

Crop Insurance:

54. We request that tobacco be treated equally by RMA relative to all other fully covered and insurable crops.
- 55. We recommend that flue-cured tobacco producers need to furnish a valid contract affiliated with recognized purchasers in order to obtain full value multi peril crop insurance coverage, and that tobacco planted absent a valid contract only be insurable at a reduced rate in order to help discourage total over production.**
- 56. We support review and revisions for final dates of insurance coverage that more accurately reflects the modifications to the current growing season lasting longer. In particular, wind coverage should extend beyond October 1st for wind and hail policies.**
- 57. We recommend that TAGS be reviewed by RMA and changes implemented that require non value tobacco to be destroyed.**
- 58. In situations of wide spread weather events and natural disasters, we call upon RMA and agencies to pay claims in a timely manner.**
59. We request that all states be treated equally by the Risk Management Agency in reference to the MPCI regulations and that production and price guarantees adequately reflect the true costs of production. The premium charges should be based on the same standards as all other commodities.

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